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SUBJECT: CHINESE VICE PRESIDENT XI VISITS MONGOLIA

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¶1. (SBU) SUMMARY: Xi Jinping, Vice President of the People's Republic of China, paid an official visit to Mongolia June 19 to 21. He met with the President, Speaker of Parliament and Prime Minister. Thirteen bilateral agreements were signed during the visit, highlighting expanding economic ties between the two nations. Xi reportedly told Prime Minister Bayar that Mongolia and China should increase the number of exchanges between the two countries' parties, Parliaments and Governments. Officials of the two countries also continued discussions on long-standing plans for a \$300 million loan from China. Separately, new foreign aid from China, approximately \$5.75 million, was announced. China is Mongolia's top foreign investor, a title it has held for the past eight years. END SUMMARY.

¶2. (SBU) Chinese Vice President Xi Jinping officially visited Mongolia June 19-21, becoming the highest-ranking Chinese government official to visit in five years. Xi met with Mongolia's top three officials: President Enkhbayar, Parliament Speaker Lundeejantsan and Prime Minister Bayar. During the visit, the two countries entered signed 13 bilateral cooperation agreements related to trade, diplomacy, military affairs, border control, health, food, forests, import quality control and other issues. They also agreed to hold activities next year to mark the 60th anniversary of the establishment of diplomatic relations.

#### STRENGTHENING ECONOMIC TIES

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¶3. (SBU) Xi's visit highlighted the strong and growing economic ties between the two nations. Xinhua quoted Xi as saying that Mongolia and China should deepen cooperation in key areas such as mineral extraction and infrastructure development. He reportedly added that the two countries have complementary economies and share great potential for bilateral cooperation within the framework of multilateral organizations, including the Shanghai Cooperation Organization. In talks with PM Bayar, Xi reportedly said that the two countries should maintain high-level contact by increasing exchanges between the countries' parties, Parliaments and Governments.

#### CHINESE LOANS AND AID

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¶4. (SBU) Officials of the two countries discussed plans for a \$300 million loan from China. The loan, which has been discussed for years, is intended to be used to improve Mongolian infrastructure (for instance, paving of highways). (Note: Successive Mongolian governments have repeatedly renegotiated this loan, most recently to build a dam, only to nix it later for functional and environmental reasons.) In addition, a decision was made to postpone until 2012 the repayment deadline for Chinese loans. Separately, around \$5.75 million in new foreign aid from China was announced. Mongolia's

Finance Ministry is to decide how this sum should be spent.

#### INVESTMENT FROM CHINA GROWING

15. (SBU) China has been Mongolia's top investor for the past eight years, and Chinese investment in Mongolia has increased during this period. In 2007, the trade turnover between the countries jumped 42 percent from the previous year. In the first five months of 2008, trade turnover reached \$1.09 billion. The two countries have also been cooperating in cultural programs; the PRC provides scholarships that enable 100 Mongolian students to study in China.

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